

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Saginaw Area Storm Water Authority	County Saginaw
Audit Date 12/31/05	Opinion Date 4/17/06	Date Accountant Report Submitted to State: 6/14/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

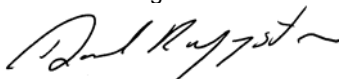
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, P.C. CPAs			
Street Address 3023 Davenport	City Saginaw	State MI	ZIP 48602
Accountant Signature 			

SAGINAW AREA STORM WATER AUTHORITY
Annual Financial Statements
and
Auditors' Report
December 31, 2005

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	2
Statement of Revenues, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 6
SUPPLEMENTARY FINANCIAL DATA	
Schedule of Operating Expenses	7



3023 Davenport
Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

Independent Auditors' Report

To the Board of Trustees of
Saginaw Area Storm Water Authority
Saginaw, Michigan

We have audited the statement of net assets of the Saginaw Area Storm Water Authority as of December 31, 2005, and the related statements of revenue, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Saginaw Area Storm Water Authority as of December 31, 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principals generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Saginaw Area Storm Water Authority's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Authority has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

Saginaw, Michigan
April 17, 2006

Saginaw Area Storm Water Authority

Statement of Net Assets

December 31, 2005

Assets

Current assets

Cash and cash equivalents	\$ 135,490
---------------------------	------------

Grant receivable	<u>9,637</u>
------------------	--------------

Total assets	<u>145,127</u>
--------------	----------------

Liabilities

Current liabilities

Accounts payable	<u>19,616</u>
------------------	---------------

Net assets	<u><u>\$ 125,511</u></u>
-------------------	--------------------------

Saginaw Area Storm Water Authority
Statement of Revenues, Expenses
and Changes in Net Assets
Year Ended December 31, 2005

Operating revenues	
Birch Run Township	\$ 3,825
Bridgeport Charter Township	6,375
Bridgeport Spaulding Schools	3,825
Buena Vista Township	9,563
Carrollton Township	7,778
James Township	3,825
Kochville Township	5,227
Saginaw Charter Township	19,125
Saginaw County Public Works	3,825
Saginaw County Road Commission	3,825
Saginaw Intermediate School District	19,125
Saginaw Township Community Schools	3,825
Saginaw Valley State University	3,825
Saginaw, City of	3,825
Spaulding Township	3,825
Swan Valley School District	3,825
Thomas Township	11,985
Tittabawassee Township	6,247
Zilwaukee, City of	3,825
Grant revenue	<u>9,637</u>
Total operating revenues	137,137
Operating expenses	<u>177,394</u>
Operating loss	(40,257)
Non operating revenue	
Interest income	<u>4,451</u>
Change in net assets	(35,806)
Net assets, beginning of year	<u>161,317</u>
Net assets, end of year	<u><u>\$ 125,511</u></u>

See Accompanying Notes to Financial Statements

Saginaw Area Storm Water Authority
Statement of Cash Flows
Year Ended December 31, 2005

Cash flows from operating activities	
Charges for services	\$ 127,500
Payment to suppliers	<u>(166,485)</u>
Net cash used by operating activities	<u>(38,985)</u>
Cash flows from investing activities	
Interest earned	<u>4,451</u>
Net change in cash and cash equivalents	(34,534)
Cash and cash equivalents, beginning of year	<u>170,024</u>
Cash and cash equivalents, end of year	<u><u>\$ 135,490</u></u>
Reconciliation of net operating revenues provided by operating activities:	
Operating loss	\$ (40,257)
Increase in due from other governmental units	8,137
Increase in	
Accounts receivable	(9,637)
Accounts payable	10,909
Deferred revenue	<u>(8,137)</u>
Net cash used by operating activities	<u><u>\$ (38,985)</u></u>

See Accompanying Notes to Financial Statements

Saginaw Area Storm Water Authority
Notes to Financial Statements
December 31, 2005

NOTE 1 - DESCRIPTION OF THE ENTITY

The Saginaw Area Storm Water Authority was created by twelve municipal corporations within Saginaw County under Act 233, Public Acts of Michigan, 1955. The Authority was created in 2002 for the purpose of providing its members with assistance in maintaining compliance with the laws and regulations of the United States and the State of Michigan which pertain to the regulation of storm water discharges, in accordance with the Enabling Act and to perform any other functions permitted by the Enabling Act. The Authority is made up of 19 members as of December 31, 2005.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Saginaw Area Storm Water Authority conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The following significant accounting policies were applied in the preparation of the accompanying financial statements:

THE REPORTING ENTITY

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The Saginaw Area Storm Water Authority is the primary government which has oversight responsibility and control over all activities. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Saginaw Area Storm Water Authority (the primary government) and does not include any other component unit within its financial statements.

BASIS OF PRESENTATION

The financial activities of the Authority are recorded within one fund, categorized and described as follows:

PROPRIETARY FUND TYPE - A proprietary fund type is used to account for ongoing organizations and activities that are similar to those found in the private sector.

The accrual basis of accounting is used in recording Internal Service Fund transactions.

DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units have been recognized for all significant amounts due to the Authority. No allowance for uncollectible accounts has been provided as management does not believe collection to be doubtful.

Saginaw Area Storm Water Authority
Notes to Financial Statements
December 31, 2005

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of accounts receivable allowance for uncollectible accounts at the date of the financial statements and the reported amount of revenues during the reporting period. Actual results could differ from those estimates.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT – 20

In accordance with GASB Statement 20, the Authority has elected not to apply the FASB statements issued after November 30, 1989 to its financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Authority had no investments other than cash.

Interest rate risk – The Authority does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes authorize the Authority to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Authority is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Authority has no investment policy that would further limit its investment choices

Concentration of credit risk – The District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2005, \$ 29,229 of the Authority's bank balance of \$ 170,024 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for all its insurance needs. Settled claims for commercial insurance have not materially exceeded the amount of insurance coverage in any of the past two fiscal years.

Saginaw Area Storm Water Authority
Schedule of Operating Expenses
Year Ended December 31, 2005

Accounting	\$ 7,650
Administrative	147,270
Bank charges	300
Legal	3,970
IDEP administrative	14,556
Insurance	<u>3,648</u>
 Total operating expenses	 <u><u>\$ 177,394</u></u>